

After decades of patched “shovel-ready” projects, the new bipartisan legislation aims to usher America into the 21st century with infrastructure enhancements designed to meet the demands of a growing population and future energy needs.



THE NEW INFRASTRUCTURE BILL PRESENTS OPPORTUNITIES FOR INVESTORS

Overview

Congress recently passed the \$1.2 trillion Infrastructure Investment and Jobs Act, including the largest transportation spending package in U.S. history.¹ The legislation authorizes funding for a wide range of infrastructure projects, include updating and building new utility systems, electrical grids, transportation and energy projects, and even data infrastructure.

The bill's funding will extend over a five-year period, so it is not expected to have a significant impact on fiscal deficit. The Congressional Budget Office estimates the legislation would add \$256 billion to the deficit over the 2021-2031 period.² Because the investments are focused on long-term productivity and innovation, this policy will likely improve labor force participation and economic growth and have a positive impact on inflation.

Local Funding

The majority of U.S. infrastructure is owned and operated at the state and local level, so federal funds will augment local investment, including public-private partnerships, to stretch the bill's resources even further. Throughout the country, infrastructure projects have been in the planning stages for years, so an immediate influx of federal funds with existing state and local budget allocations and private commitments will likely launch many projects off the ground quickly.³

“It will help rebuild our nation’s infrastructure and economy by investing in locally owned infrastructure and preserving local decision-making.”⁴ — National Association of Counties Executive Director Matthew Chase

Highways, Roads and Bridges

The nation's roads and bridges are to be repaired and rebuilt with an emphasis on climate change resilience, safety and equity among geographic and demographic cross sections. The goal is to invest \$110 billion in today's 45,000 subpar bridges, highways and major roads, as well as support major transformational projects. The package includes a first-ever program designed to make roads safer by reducing traffic fatalities.⁵



Investment Opportunities

The construction aggregates industry is not glamorous, but it generates the raw materials used to form compound materials such as concrete. Companies that produce aggregate materials (e.g., gravel, crushed stone, sand) mine them from natural sources such as pits and quarries. With funding authorized for highways and building infrastructure, construction aggregate companies are poised for substantially higher revenues.

The Biden administration also has indicated its preference to buy American, so U.S. steel companies should have an advantage over foreign competitors, particularly in the wake of global manufacturing and shipping delays. Not only is steel well positioned for industrial buyers, but it likely will benefit from pent-up demand from auto manufacturers.

Manufacturers of construction, roadbuilding, earthmoving and mining equipment can expect more procurement orders in the coming months. In order to ramp up capabilities faster than they can bolster their balance sheets, contractors are more likely to rent equipment in lieu of buying, which should benefit heavy equipment rental companies.⁶

“The legislation will help ease inflationary pressures and strengthen supply chains by making long overdue improvements for our nation’s ports, airports, rail and roads.”⁷

Reliable High-Speed Internet

Broadband internet keeps Americans connected and more productive in their jobs, education, communities and relationships. Yet today, more than 30 million Americans live in areas with poor to no broadband, particularly in rural communities throughout the country. The infrastructure bill authorizes a \$65 billion investment in broadband infrastructure deployment to provide universal access to reliable high-speed internet. Moreover, the bill includes provisions to help reduce internet service fees to make access more affordable.⁸

Investment Opportunities

Manufacturers of wireless towers and power management companies that supply the electrical components and systems for wind and solar farms to integrate them into the national grid.⁹

Clean Water

America’s water utility infrastructure is in dire need of an upgrade. Presently, as many as 10 million American households and 400,000 schools and child care centers lack safe drinking water. This bill allocates



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\$55 billion in water infrastructure and would eliminate lead pipes for thousands of communities, including struggling cities, rural towns and Tribal Nations to ensure that all Americans have access to clean water.¹⁰

Investment Opportunities

Utilities and companies that specialize in water distribution, water filtration and flow technology; water treatment/purification firms; manufacturers of pumps, valves and desalination units; and other companies specializing in water-related solutions.

Public Transportation Systems

On the whole, America's public transit infrastructure generally lags that of other developed nations, and what currently exists is in need of repair and inadequate for our population growth. The nation has a multibillion-dollar repair/replacement backlog on more than 24,000 buses, 5,000 rail cars, 200 stations, and thousands of miles of track, signals and power systems.

The infrastructure bill's \$66 billion allocation offers the largest investment in passenger rail since the beginning of Amtrak. This investment will position railways for a central role in our transportation and economic future, establishing safe, efficient and climate-friendly alternatives for transporting people and freight. Focus areas will include modernizing the Northeast Corridor and expanding passenger rail service to areas outside the Northeast and Atlantic coastline.

The public transit investment also includes upgrades to the country's airports (\$25 billion) and ports (\$17 billion). The focus will be on reducing congestion and emissions as well as enhancing electrification and other low-carbon technologies. These enhancements are forward-looking in order to strengthen our supply chains and prevent disruptions such as those experienced during the pandemic and extreme weather events.¹¹

Investment Opportunities

Railroads, airlines, trucking, marine transportation, delivery services and logistics companies.

Clean, Reliable Energy

The U.S. is not the only country pursuing cleaner, more sustainable energy sources. In fact, we are behind many other developed countries in our efforts. The global climate summit in Scotland this year highlighted a non-binding call for only zero-emission vehicles to be sold worldwide by 2040. The European Union is working toward a zero-emissions market by 2035.



Even auto manufacturers have recognized that electric vehicles will become a mainstay in our future, with some making plans to end production of gas- and diesel-powered cars within 20 years. This acceptance is supported by consumers, as evidenced by a recent poll that found 50% of U.S. voters support a mandate requiring all new vehicles to be electric within the next 10 years.¹²

A nationwide fleet of electric consumer and commercial cars will require a national network of electric vehicle (EV) chargers. The infrastructure bill has allocated \$7.5 billion for 500,000 EV chargers to be installed along highway corridors to facilitate long-distance travel and within communities for convenient charging options. This investment is designed to create new jobs and encourage the adoption of EVs in an effort to reduce emissions and improve air quality.

The infrastructure bill also allocates \$65 billion to upgrade the country's power infrastructure with new lines for the transmission of renewable, clean energy. Not only will sustainable energy technologies reduce emissions, but the investment could basically pay for itself in light of the \$70 billion a year lost due to power outages in the U.S.¹³

Investment Opportunities

Companies that build electric cars and EV charging stations; companies that manufacture government fleets of electric vehicles, such as U.S. mail trucks. Commodities used in green materials, such as copper. In addition to being the preferred metal for electrical wiring and plumbing, electric vehicles and renewable energy sources (e.g., wind, solar) use more than four times as much copper as traditional internal combustion vehicles, oil and gas.¹⁴

Final Thoughts

Bear in mind that while certain stocks may grow due to increased company revenues, the overall economic impact of the new bill may be limited because government spending will occur over a five-year period. However, unlike past infrastructure bills that focused on creating jobs and minor road repairs, this historic infrastructure bill creates a foundation to help drive economic growth for years to come.

One effective way to get exposure to industries poised to profit from the infrastructure bill may be to invest in a diversified infrastructure or utility fund (mutual fund or ETF). This type of one-stop-shop investment spreads capital across a number of electric providers, water and sewage services, engineering and construction firms, rail travel companies and more.

Administrative priorities and policies often generate new investment opportunities that are worth considering. However, they should never replace your long-term investment strategy, so new stock purchases should align with your current equity allocation. Consult with your financial professional for advice on specific holdings or sector positions and how they may impact your overall investment strategy.



¹ The White House. Nov. 6, 2021. "Fact Sheet: The Bipartisan Infrastructure Deal." <https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/06/fact-sheet-the-bipartisan-infrastructure-deal/>. Accessed Nov. 23, 2021.

² Congressional Budget Office. Aug. 5, 2021. "Senate Amendment 2137 to H.R. 3685, the Infrastructure Investment and Jobs Act." <https://www.cbo.gov/publication/57406>. Accessed Nov. 30, 2021.

³ Jacob S. Falk, Douglas M. Fried and Douglas B. Buchanan. Norton Rose Fulbright. Nov. 18, 2021. "Infrastructure Investment and Jobs Act: A historic investment in US infrastructure." <https://www.nortonrosefulbright.com/en/knowledge/publications/dce01585/infrastructure-investment-and-jobs-act>. Accessed Nov. 23, 2021.

⁴ National Association of Counties. Nov. 7, 2021. "Legislative Analysis for Counties: The Infrastructure and Jobs Act." <https://www.naco.org/resources/legislative-analysis-counties-infrastructure-investment-jobs-act>. Accessed Nov. 23, 2021.

⁵ The White House. Nov. 6, 2021. "Fact Sheet: The Bipartisan Infrastructure Deal." <https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/06/fact-sheet-the-bipartisan-infrastructure-deal/>. Accessed Nov. 23, 2021.

⁶ Charles Lewis Sizemore. Kiplinger. Nov. 15, 2021. "13 Best Infrastructure Stocks for America's Big Building Spend." <https://www.kiplinger.com/investing/stocks/stocks-to-buy/602447/best-infrastructure-stocks-americas-big-building-spend>. Accessed Nov. 23, 2021.

⁷ The White House. Nov. 6, 2021. "Fact Sheet: The Bipartisan Infrastructure Deal." <https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/06/fact-sheet-the-bipartisan-infrastructure-deal/>. Accessed Nov. 23, 2021.

⁸ Ibid.

⁹ Charles Lewis Sizemore. Kiplinger. Nov. 15, 2021. "13 Best Infrastructure Stocks for America's Big Building Spend." <https://www.kiplinger.com/investing/stocks/stocks-to-buy/602447/best-infrastructure-stocks-americas-big-building-spend>. Accessed Nov. 23, 2021.

¹⁰ The White House. Nov. 6, 2021. "Fact Sheet: The Bipartisan Infrastructure Deal." <https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/06/fact-sheet-the-bipartisan-infrastructure-deal/>. Accessed Nov. 23, 2021.

¹¹ Ibid.

¹² Camila Domonoske. NPR. Nov. 20, 2021. "Giving up gas-powered cars was a fringe idea. It's now on its way to reality." <https://www.npr.org/2021/11/20/1055718914/giving-up-gas-powered-cars-for-electric-vehicles>. Accessed Nov. 23, 2021.

¹³ The White House. Nov. 6, 2021. "Fact Sheet: The Bipartisan Infrastructure Deal." <https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/06/fact-sheet-the-bipartisan-infrastructure-deal/>. Accessed Nov. 23, 2021.

¹⁴ Charles Lewis Sizemore. Kiplinger. Nov. 15, 2021. "13 Best Infrastructure Stocks for America's Big Building Spend." <https://www.kiplinger.com/investing/stocks/stocks-to-buy/602447/best-infrastructure-stocks-americas-big-building-spend>. Accessed Nov. 23, 2021.

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